

Message Text

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ORIGIN OPIC-06

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TO AMEMBASSY JAKARTA

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SUBJECT: MATERIALS FOR ATTRACTING INVESTMENT

REF: JAKARTA 16083

1. OPIC HAS IDENTIFIED THE FOLLOWING COUNTRIES OUTSIDE OF ASIA AS THOSE WITH NOTABLY EFFECTIVE CURRENT PROGRAMS FOR FOREIGN INVESTMENT PROMOTION: BRAZIL, DOMINICAN REPUBLIC, EL SALVADOR, MEXICO, IRELAND, IVORY COAST AND TUNISIA. WE ARE AIR MAILING IMMEDIATELY AVAILABLE MATERIAL THIS WEEK, WHICH IS FOR DOMINICAN REPUBLIC, EL SALVADOR AND IRELAND. AT RECENT UNIDO MEETING ON INVESTMENT PROMOTION IN VIENNA, IRISH PROGRAM ATTRACTED ATTENTION AND PRAISE AS ONE OF MOST REALISTIC AND EFFECTIVE PROGRAMS. WE UNDERSTAND THAT IRISH MAY BE AVAILABLE TO ADVISE AND ASSIST ON BASIS THEIR EX-
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PERIENCE. WE WILL ATTEMPT TO OBTAIN AND TRANSMIT MATERIALS ON REMAINING COUNTRIES SHORTLY.

2. UNIDO CONFERENCE ATTENDEES NOTED THAT MOST DEVELOPING NATIONS NOW HAVE SIMILAR INVESTMENT INCENTIVE PROGRAMS, BUT THAT THEIR EFFECTIVENESS DIFFERS GREATLY. CONSENSUS WAS

THAT FACTORS OF INVESTMENT CLIMATE GOING BEYOND LEGAL CODES AND INCENTIVES TAKE ON EXCEPTIONAL IMPORTANCE AS INVESTORS ATTEMPT TO CHOOSE BETWEEN MANY COMPETING LOCATIONS WITH COMPARABLE LAWS AND INCENTIVES. TWO DOCUMENTS ILLUSTRATE

ABUNDANCE OF EXISTING INCENTIVE PROGRAMS. MOST CURRENT IS REPORT OF INTERNATIONAL CENTER FOR SETTLEMENT OF INVESTMENT DISPUTES (ICSID) OF WHICH INDONESIA IS MEMBER. ASSUME THIS VOLUMINOUS DOCUMENT AVAILABLE IN JAKARTA. UNIDO ALSO ISSUED SIMILAR DIRECTORY AS UNIDO/IPPO.42, DATED 29, JUNE, 1971, WHICH GOT MAY WISTO OBTAIN.

3. VIENNA CONFEREES IDENTIFIED TWO PRINCIPAL FACTORS MOST INFLUENTIAL IN DETERMINING ATTRACTIVENESS OF PARTICULAR INVESTMENT LOCATIONS. FIRST IS THE RELIABILITY OF INVESTMENT TERMS. WHILE ACCEPTING THAT CONDITIONS OF INVESTMENT WILL CHANGE OVER TIME, INVESTORS SEEK RELIABILITY OF OUTSTANDING COMMITMENTS AND ABSENCE OF EX POST APPLICATION OF CHANGES IN INVESTMENT TERMS. OPIC IS DISPATCHING ADDITIONAL COPY FOR SUMANTORO OF RECENT U.S. CHAMBER OF COMMERCE PUBLICATION, "THE CLIMATE FOR INVESTMENT ABROAD," WITH COUNTRY COMPARISONS. SUMANTORO MAY FIND HELPFUL TO COMPARE OBSERVATIONS REGARDING RELIABILITY IN COUNTRIES SUCH AS IVORY COAST AS CONTRAST TO UNCERTAINTIES SURROUNDING INTERPRETATION AND APPLICATION OF CERTAIN CURRENT INDONESIAN INVESTMENT POLICIES. IT WAS MOST NOTEWORTHY AT VIENNA CONFERENCE THAT ARAB INVESTMENT BANKS AND CZECH REPRESENTATIVE JOINED U.S. AND EUROPEAN NATIONS IN STRESSING IMPORTANCE OF SUCH INVESTMENT CLIMATE CONSIDERATIONS.

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4. SECOND MAJOR FACTOR AGREED BY PARTICIPANTS WAS IMPORTANCE OF A SINGLE CENTRAL AGENCY WITH SUFFICIENT EFFECTIVE AUTHORITY DELEGATED TO IT TO PERMIT ITS PROMPT APPROVAL OF PROJECTS AND DECISION ON INCENTIVES AND INVESTMENT TERMS WITHOUT HAVING TO DEFER TO OTHER AUTHORITIES. IRISH AND GERMAN MATERIAL BEING AIR MAILED REINFORCES THIS POINT. TUNISIA HAS BEEN WORKING WITH GREAT EFFECTIVENESS DURING THE PAST YEAR, ASSISTED BY GERMAN AND U.S. ADVISORS TO DEVELOP APPROPRIATE AUTHORITY AND CLIMATE FOR EFFECTIVE INVESTMENT PROMOTION. WE WILL MAKE PARTICULAR EFFORT TO SUPPLY MATERIALS ON THIS PROGRAM.

5. FOR COUNTRIES WHERE MINISTRIES WITH RESPONSIBILITY FOR TAXATION, INDUSTRY LICENSING AND OTHER INVESTMENT ISSUES ARE UNWILLING TO DELEGATE EFFECTIVE AUTHORITY TO A CENTRAL INVESTMENT AGENCY, AN ALTERNATIVE APPROACH CAN SOMETIMES BE VERY ATTRACTIVE. THIS INVOLVES ESTABLISHMENT OF A MORE LIMITED ONE-STOP AUTHORITY -- FOR APPROVAL OF PROJECTS IN

EXPORT PROCESSING ZONES AND BONDED INDUSTRIAL ESTATES. SUCH A CENTRALIZED AUTHORITY MAY BE EASIER TO ESTABLISH FOR THIS MORE LIMITED PURPOSE. THE TAX, INDUSTRY LICENSING AND SIMILAR DECISIONS NORMALLY IN THE PURVIEW OF SEPARATE MINISTRIES DO NOT HAVE AN IMPACT ON THE DOMESTIC

MARKET. THUS IT MAY BE LESS TROUBLESOME FOR GOVERNMENTAL DEPARTMENTS TO DELEGATE TO A ZONE AUTHORITY. SUCH ZONES OFFER SPECIAL ECONOMIC ADVANTAGES FOR EMPLOYMENT AND EXPORT PROMOTION AND PROVIDE A GOOD TRIAL FOR POSSIBLE BROADENING OF AUTHORITY LATER TO THE COUNTRY WIDE INVESTMENT AGENCY. ON THIS SUBJECT OPIC IS AIR MAILING A U.S. DEPARTMENT OF COMMERCE PUBLICATION ENTITLED "FREE TRADE ZONES AND RELATED FACILITIES ABROAD."

6. ALTHOUGH WE IMAGINE THAT INDONESIA MAY HAVE CONSIDERABLE INFORMATION ON KOREA, WE ARE ALSO AIR MAILING A NOVEMBER, 1976 REPORT FROM THE KOREAN INVESTMENT AUTHORITY
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FOR ITS POSSIBLE INTEREST TO SUMANTORO.

7. FYI: WILLIAM HOLLINGER, AN AMERICAN ADVISOR KNOWN TO BAPPENAS IS VERY KNOWLEDGEABLE ABOUT EXPORT PROCESSING ZONE POSSIBILITIES FOR INDONESIA. END FYI.
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